

**FEDERAL FAMILY EDUCATION LOAN PROGRAM  
FFEL DEFAULT CONSOLIDATION REFUNDS, DEFAULT AND ADMINISTRATIVE  
WAGE GARNISHMENT COLLECTIONS  
ED FORM 1189 ADDENDUM INSTRUCTIONS**

**FEDERAL DEFAULT CONSOLIDATION REFUND SECTION**

This category is used to report Federal default consolidation loan refunds due to ED as a result of the sale of certain defaulted FFEL loans consolidated into a Federal Consolidation loan.

Default consolidation loan sales to lenders must be reported to ED within 45 days of their occurrence. The refund amount due ED is the outstanding principal and accrued interest on the loan at the time of the sale to the lender less the guaranty agency's reinsurance complement.

Guaranty agencies are permitted to charge the defaulted borrower up to 18.5% of the outstanding principal and accrued interest as collection costs on the defaulted loan at the time the agency certifies the payoff amount on the loan to the consolidating lender.

The outstanding principal and accrued interest does not include late charges, collection costs, or attorney's fees.

If reinsurance was paid on the loan by multiple reinsurance requests, and reinsurance was paid at different rates, the agency must prorate its default consolidation payment or pay ED at the highest reinsurance rate used.

**1. FFEL Consolidation Refund - Amount Due To/(From) Guarantor.** This is the amount due to ED for lender consolidation payments. The amount due to ED is the outstanding principal and accrued interest less the complement of the reinsurance percentage in effect for the reinsurance claims paid on the loans.

FFEL Consolidation Refund - Amount Due To/(From) Guarantor is the sum of amounts reported in 1, Principal Amount and Interest Amount.

**1. FFEL Consolidation Refund - Principal Amount.** Enter the outstanding principal amount of consolidation payments received by the guaranty agency during the reporting period. Reduce these amounts by the complement of the reinsurance percentage in effect for the reinsurance claims paid on the loans.

**1. FFEL Consolidation Refund - Interest Amount.** Enter the outstanding accrued interest amount of consolidation payments received by the guaranty agency during the reporting period. Reduce these amounts by the complement of the reinsurance percentage in effect for the reinsurance claims paid on the loans.

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**1-A. FFEL Consolidation Payoff - Principal.** Enter the amount received from the lender at the time of payoff for the principal amount on the loan.

**1-A. FFEL Consolidation Payoff - Interest.** Enter the amount received from the lender at the time of payoff for the accrued interest amount on the loan.

**1-B. FFEL Consolidation GA Retention - Principal.** Enter the amount retained by the guaranty agency at the time of consolidation that represents the agency's complement on the principal amount.

**1-B. FFEL Consolidation GA Retention - Interest.** Enter the amount retained by the guaranty agency at the time of consolidation that represents the agency's complement on the accrued interest amount.

**1-B. FFEL Consolidation GA Retention - Other Charges.** Enter the amount received from the lender at the time of payoff for the allowable collection cost that cannot exceed 18.5 percent of the outstanding principal and accrued interest on the loan at the time of payoff.

EXAMPLE: FFELP Loan Consolidation Scenario.

Reinsurance Rate = 98%

Payoff Amount (Principal and Interest) = \$100,000

	Amount Due To/From Guarantor	Principal	Interest	Other Charges
<b>1 FFEL Consolidation Refund</b>	\$98,000.00	\$83,300.00	\$14,700.00	
1-A FFEL Consolidation - Payoff		\$85,000.00	\$15,000.00	
1-B FFEL Consolidation - GA Retention		\$1,700.00	\$300.00	\$18,500.00

**GA ADMINISTRATIVE WAGE GARNISHMENT SECTION**

This category reports on administrative wage garnishment collection activities by the guaranty agency on loans for which reinsurance has been paid by ED and which have not been assigned to ED by the agency. This includes collections of default, exempt and lender-of-last-resort loan (default) claims on which the guaranty agency is entitled to retain a percentage of the amount collected to pay for its collection costs. The guaranty agency is entitled to --

- 30 percent of collections received before October 1, 1993,
- 27 percent of collections received on or after October 1, 1993 and prior to October 1, 1998,
- 24 percent of collections received on or after October 1, 1998 and prior to October 1, 2003, and
- 23 percent of collections received on or after October 1, 2003.

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A guaranty agency may not attempt to collect the following types of claims:

- bankruptcy (all Chapters)
- death and disability
- closed school
- false certification

GA Administrative Wage Garnishment collections on exempt claims are to be reported in this item. An exempt claim includes a loan on which the borrower defaulted after the lender determined that the borrower failed to establish eligibility for the loan. Collections on exempt claims are to be made in accordance with the instructions in Student Financial Assistance Programs bulletin 89-G-159 dated May 1989.

All collections must be reported to ED within 45 days of the receipt of the collections by the guaranty agency or its agent.

Amounts from collection checks returned for insufficient funds (bounced checks) are deducted prior to reporting collections to ED.

**2. Administrative Wage Garnishment - Amount Due To/(From)**

**Guarantor.** This amount represents collections received through administrative wage garnishment by the guaranty agency on loans on which ED has paid reinsurance.

Garnishment is the procedure requiring a borrower's employer to withhold a portion of a borrower's pay to repay the amount the borrower owes on a default or a lender-of-last-resort loan (default). A guaranty agency's garnishment procedures must comply with Section 488A of the HEA, appropriate regulations and policy bulletins.

Collections on bankruptcies are under the jurisdiction of Federal Bankruptcy Courts and take precedence over the administrative wage garnishment provisions of Section 488A. Administrative wage garnishment cannot be instituted on a borrower who has filed for bankruptcy. Administrative wage garnishment in effect at the time a borrower files for bankruptcy would have to cease if the Bankruptcy Court orders a halt to any collection activity against a borrower.

Report in this line item the total of the "Secretary's equitable share" associated with collections. This refers to that portion of collections that remains after the following has been deducted:

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- an amount equal to the complement of the reinsurance percentage which was in effect when the reinsurance payment was made by the Secretary for default claims, and
- an amount equal to 30 percent of collections for both default and exempted claims to help the guaranty agency pay for the costs of its collection activities on collections received before October 1, 1993,
- an amount equal to 27 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1993 and received prior to October 1, 1998.
- an amount equal to 24 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1998 and prior to October 1, 2003, or
- an amount equal to 23 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 2003,

A guaranty agency must calculate the amounts that are due to ED.

Calculate amounts based on the reinsurance reimbursement rate that was in effect at the time the guaranty agency was reimbursed. If a borrower's accounts contain original claims and additional reinsurance that were paid at different rates, the agency must report its collections at either:

- the rate at which each individual item was paid, or
- the highest rate at which any item was paid.

**Example:** An agency receives a collection on a single borrower's account which includes two claims, one of which received reinsurance reimbursement at the 98 percent rate, and the other at the 80 percent rate. The agency may prorate the collection and report appropriate amounts at 98% reinsurance reimbursement and 80% reinsurance reimbursement. Alternatively, the guaranty agency may report the entire collection as 98% Reinsurance Reimbursement, because this was the highest rate at which one of the items in the account was reimbursed.

GA Administrative Wage Garnishment, Amount Due To/(From) Guarantor is the sum of amounts reported in item 2, Principal Amount, Interest Amount and Other Amounts.

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**2. Administrative Wage Garnishment – Principal.** Enter the principal amount due ED on the collection. To calculate the principal amount: (total collected and applied to principal) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to principal) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

**2. Administrative Wage Garnishment – Accrued Interest.** Enter the accrued interest amount due ED on the collection. To calculate the accrued interest amount: (total collected and applied to accrued interest) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to accrued interest) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

**2. Administrative Wage Garnishment – Other Charges.** Enter the other charges amount due ED on the collection. To calculate the other charges amount: (total collected and applied to other charges) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to other charges) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

**2-A. Administrative Wage Garnishment –Total Collected - Principal.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents principal and purchased interest.

**2-A. Administrative Wage Garnishment –Total Collected - Interest.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents accrued interest.

**2-A. Administrative Wage Garnishment –Total Collected - Other Charges.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents other charges.

**2-B. Administrative Wage Garnishment – GA Retention – Principal.** Enter the total amount of collections that were applied to that portion of the borrower's account that represents principal that is retained by the guaranty agency. To calculate this amount, multiply the total principal amount by the applicable retention rate.

**2-B. Administrative Wage Garnishment – GA Retention - Interest.** Enter the total amount of collections that were applied to that portion of the borrower's account that represents accrued interest that is retained by the guaranty agency. To calculate this amount, multiply the total accrued interest amount by the applicable retention rate.

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**2-B. Admin Wage Garnishment – GA Retention - Other Charges.**

Enter the total amount of collections that were applied to that portion of the borrower's account that represents other charges that is retained by the guaranty agency. To calculate this amount, multiply the total other charges amount by the applicable retention rate.

**DEFAULT COLLECTIONS SECTION**

This category reports on default collections by the guaranty agency on loans for which reinsurance ED has paid and which have not been assigned to ED by the agency. This includes collections of default, exempt and lender-of-last-resort loan (default) claims on which the guaranty agency is entitled to retain a percentage of the amount collected to pay for its collection costs. The guaranty agency is entitled to:

- 30 percent of collections received before October 1, 1993,
- 27 percent of collections received on or after October 1, 1993 but before October 1, 1998,
- 24 percent of collections received on or after October 1, 1998 but before October 1, 2003, and
- 23 percent of collections received on or after October 1, 2003.

A guaranty agency may not attempt to collect the following types of claims:

- bankruptcy (all Chapters)
- death and disability
- closed school
- false certification

Collections on exempt claims are to be reported in this item. An exempt claim includes a loan on which the borrower defaulted after the lender determined that the borrower failed to establish eligibility for the loan. Collections on exempted claims are to be made in accordance with the instructions in Student Financial Assistance Programs bulletin 89-G-159 dated May 1989.

All collections must be reported to ED within 45 days of the receipt of the collection by the guaranty agency or its agent.

Amounts from collection checks returned for insufficient funds (bounced checks) are deducted prior to reporting collections to ED.

**3. Default Collections - Amount Due To/(From) Guarantor.** This item is used to report default collections received by the guaranty agency on loans on which ED has paid reinsurance.

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Report in this line item the total of the "Secretary's equitable share" associated with collections. This refers to that portion of collections that remains after the following has been deducted:

- an amount equal to the complement of the reinsurance percentage which was in effect when the reinsurance payment was made by the Secretary for default claims and,
- an amount equal to 30 percent of collections for both default and exempted claims to help the guaranty agency pay for the costs of its collection activities on collections received before October 1, 1993,
- an amount equal to 27 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1993 and received prior to October 1, 1998.
- an amount equal to 24 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 1998 and received prior to October 1, 2003, or
- an amount equal to 23 percent of collections for default, exempted and lender-of-last-resort loan (default) claims to help the guaranty agency pay for the cost of its collection activities on collections received on or after October 1, 2003.

A guaranty agency must calculate the amounts that are due to ED. Calculate the amounts based on the reinsurance reimbursement rate that was in effect at the time the guaranty agency was reimbursed. If a borrower's accounts contain original claims and additional reinsurance that were paid at different rates, the agency must report its collections at either:

- the rate at which each individual item was paid, or
- the highest rate at which any item was paid.

Default Collections, Amount Due To/(From) Guarantor is the sum of amounts reported in item 3 Principal Amount, Interest Amount and Other Amounts.

**3. Default Collections – Principal.** Enter the principal amount due ED on the collection. To calculate the principal amount: (total collected and applied to principal) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to principal) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

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**3. Default Collections - Accrued Interest.** Enter the accrued interest amount due ED on the collection. To calculate the accrued interest amount: (total collected and applied to accrued interest) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to accrued interest) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

**3. Default Collections – Other Charges.** Enter the other charges amount due ED on the collection. To calculate the other charges amount: (total collected and applied to other charges) ***multiplied*** by (appropriate reinsurance rate) ***less*** (total collected and applied to other charges) ***multiplied*** by (appropriate retention rate) ***equals*** Secretary's Equitable Share.

Other charges may include late charges, collection costs, and attorney's fees.

**3-A. Default Collections –Total Collected - Principal.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents principal and purchased interest.

**3-A. Default Collections –Total Collected - Interest.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents accrued interest.

**3-A. Default Collections –Total Collected - Other Charges.** Enter the total amount of collections that were applied to the portion of each borrower's account that represents other charges.

**3-B Default Collections – GA Retention - Principal.** Enter the total amount of collections that were applied to that portion of the borrower's account that represents principal that is retained by the guaranty agency. To calculate this amount, multiply the total principal amount by the applicable retention rate.

**3-B. Default Collections – GA Retention - Interest.** Enter the total amount of collections that were applied to that portion of the borrower's account that represents accrued interest that is retained by the guaranty agency. To calculate this amount, multiply the total accrued interest amount by the applicable retention rate.

**3-B. Default Collections – GA Retention - Other Charges.** Enter the total amount of collections that were applied to that portion of the borrower's account that represents other charges that is retained by the guaranty agency. To calculate this amount, multiply the total other charges amount by the applicable retention rate.



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**LATE REPORTING INTEREST (LRI)**

Late reporting interest should be calculated by the guaranty agency on FFEL consolidation refunds due to ED, GA administrative wage garnishment collections and default collections.

Guaranty agencies should calculate and report late reporting interest as follows:

**Interest Start Date** – Is the first day interest begins accruing on late reported recoveries. This date is arrived at by taking the month end of the date the recovery was received and adding 46 days to this (i.e.: recovery received 2/11/99, then the month-end date would be 2/28/99 + 46 days would be 4/15/99). If ED does not receive collections within 45 days of receipt by the guaranty agency then interest must be calculated from the 30<sup>th</sup> day of receipt by the agency.

For reports submitted electronically interest should be calculated from the date the report is submitted via the Internet.

**Days to Accrue** – This is calculated as the number of days from the Interest Start Date to the date ED receives the Guaranty Agency Monthly Financial Report. The date ED receives the report can be assumed to be one business day after the report is mailed over night to ED.

**Interest Rate** – This is the interest rate set by the Department of Treasury as of January for the calendar year. The daily interest rate is the annual interest rate divided by 365 days in a year. The current interest rate for calendar year 1999 is 5%.

**LRI Formula** - Amount \* Daily Interest Rate \* Days to Accrue

**3. Late Reporting Interest - Amount.** The total amount of interest due to ED for late reporting on refunds and collections.